

VZCZCXRO0554
RR RUEHDBU RUEHFL RUEHKW RUEHLA RUEHROV RUEHSR
DE RUEHBM #1838/01 3421726
ZNY CCCCC ZZH
R 081726Z DEC 06
FM AMEMBASSY BUCHAREST
TO RUEHC/SECSTATE WASHDC 5699
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE

C O N F I D E N T I A L SECTION 01 OF 02 BUCHAREST 001838

SIPDIS

SIPDIS

STATE FOR EUR/NCE - AJENSEN

E.O. 12958: DECL: 12/08/2016

TAGS: [ECON](#) [PGOV](#) [RO](#)

SUBJECT: MINISTERIAL MUSICAL CHAIRS: IT'S ALL ABOUT THE
MONEY

Classified By: Economic Section Chief John Rodgers, for reasons 1.4 (b)
and (d)

¶1. (C) Summary: The latest round of Romanian government (GOR) ministerial changes have increased the turmoil in the ruling coalition and demonstrated yet again that control of public funding (including from the EU) is a core concern for party leaders. The fight for political leverage over the money will likely intensify as the coalition continues to unwind. One cause for concern in light of this turbulence may be increased difficulties for the GOR's in carrying out an economic agenda that includes privatizations of interest to U.S. companies. End Summary.

¶2. (U) In a series of dramatic moves in the past few weeks, several key ministerial portfolios in the GOR have changed party hands or been left empty. First to go was Agriculture Minister Gheorghe Flutur, whom Prime Minister Tariceanu fired because he bolted to the "platformist" Liberal Party faction led by former PM Stolojan. Next to go were Economic Minister Codrut Seres and Deputy PM Bogdan Pascu, both members of the small coalition partner Conservative Party, when the Conservatives voted on December 3 to leave the coalition government. In another, less heralded, move on December 7, former Conservative Party member Eugen Chirovici also resigned from his ministerial position as president of the Small and Medium Enterprises Authority, accusing the Government of failing to offer the necessary support for the absorption of European funds. Chirovici had resigned from the Conservative Party on December 3, in the hope that he could maintain his portfolio after the Conservatives jumped ship.

¶3. (U) The remaining members of the ruling coalition GOR (Democrats; Liberals; and Hungarian ethnic party, UDMR) appeared to have agreed this week to replace the ministers in the government, giving the agriculture portfolio to a young Liberal, Dan Munteanu; the economic portfolio to a Democrat, Mircea Toader; and the Deputy PM slot to a Liberal, Varujan Vosganian (who had recently withdrawn his candidacy to become European Commissioner after past ties with the security services were publicized). The UDMR also claimed the directorship of the national lottery and other positions at lower levels in ministries.

¶4. (U) The seeming agreement among the Democrats and Liberals dissolved in rancor, however, at a heated GOR Cabinet meeting on December 6, in which the Democrats walked out and the Liberals pushed through an emergency ordinance placing the Economic Ministry's privatization office (OPSPI - responsible for energy and defense industry privatizations) into the Liberal-controlled privatization authority (AVAS). AVAS is now under the control of the former Defense Minister and Liberal Party bagman Teodor Atanasiu. The following day, the Democrats called a press conference at which they called the emergency ordinance illegal, and announced that they no

longer wanted the Economic Ministry portfolio since it had been stripped of its asset management function and left only with the headaches of combating energy shortfalls during the coming winter. The Liberals finally nominated Vosganian on December 8, for the Economic Minister post (withdrawing him from candidacy for the Deputy PM slot).

Comment:

15. (C) The moves by the remaining GOR coalition members underscore the intensifying fight over government portfolios that have the most leverage over state funding and creative opportunities for "public-private partnerships." With the the Ministries of Finance and Health, and the privatization authority AVAS already in their hands, the Liberals have retained their hold on the Agriculture Ministry (including substantial future EU agriculture funds) as well as carved out the lucrative OPSPI from the Economic Ministry and send it to AVAS. The UDMR went directly for the control of a non-ministerial agency that controls large amounts of income (lottery).

16. (C) The loser in the short term is the Democratic Party, which declined to be saddled with the remnant Economic Ministry's portfolio because the Democrats rightly recognized that it they would be burdened by political liabilities as the winter approaches and energy prices rise. The stability of the ruling coalition's minority government will be put to the test when the Liberal candidate for Economics Minister is put under parliamentary scrutiny, probably next week. Vosganian, a loyal supporter of PM Tariceanu, may find himself in the sights of Democrats wanting to direct their ire at having lost in this latest ministerial shuffle. Uncertain, too, is the ultimate fate of the emergency

BUCHAREST 00001838 002 OF 002

ordinance that moves OPSPI to AVAS. The Minister of Justice, the famously independent Monica Macovei, must weigh in on its constitutional validity in the coming days.

17. (C) One concern is that the ongoing turmoil may harm the chances for the smooth privatization of the Craiova automotive factory, of interest to both Ford and General Motors. Post will continue to engage with the key figures in the current government, no matter how precarious its position, to urge that the tender process be completed on schedule during the first half of next year.

TAUBMAN